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Financing the Future: How Saudi Arabian Banking Boards Facilitate Investments in Non-Oil Sectors to Support Vision 2030: A Qualitative Approach

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Abstract

This study examines the role of Saudi Arabian banking boards in facilitating investments in non-oil sectors to support Vision 2030, the country's strategic initiative to diversify its economy and reduce reliance on oil revenues. The research explores the impact of banking governance, regulatory frameworks, and financial instruments on capital allocation to key non-oil industries such as tourism, technology, and manufacturing. Through a policy review approach, the study highlights the effectiveness of banking sector strategies in promoting economic diversification. Findings indicate that while Saudi banks have expanded financing to non-oil sectors, structural challenges persist, including stringent lending criteria, risk-averse investment approaches, and regulatory complexities. The study identifies the growing role of Islamic finance, public-private partnerships (PPPs), and digital banking innovations in enhancing financial accessibility. However, gaps remain in optimizing risk management, fostering SME growth, and ensuring alignment between financial sector policies and Vision 2030 objectives. The study contributes to the existing literature by providing insights into banking governance and financial sector-led economic transformation. It offers policy recommendations for enhancing banking sector contributions to economic diversification through improved risk frameworks, expanded financial inclusion, and technology-driven financial solutions. Strengthening regulatory mechanisms and fostering innovation will be critical to achieving sustainable, long-term economic growth.

Keywords: Banking Governance, Economic Diversification, Vision 2030, Non-Oil Sector Investments, Financial Regulation**,** Public-Private Partnerships

Introduction

Saudi Arabia's Vision 2030 represents a transformative agenda aimed at reducing the country's reliance on oil revenues and diversifying its economy (Nurunnabi, 2017). Central to this vision is the expansion and development of non-oil sectors such as tourism, manufacturing, entertainment, and technology. Achieving this ambitious economic restructuring requires significant financial investments, a task that has placed banking institutions at the forefront of driving capital allocation into strategic industries. Saudi Arabian banks, particularly their boards of directors, play a crucial role in facilitating investments that align with Vision 2030's objectives (Elneel & AlMulhim, 2022). Through policy initiatives, strategic financial instruments, and governance reforms, banking boards contribute to the nation's economic diversification efforts. This study examines how Saudi Arabian banking boards facilitate investments in non-oil sectors, with a particular focus on regulatory frameworks, financial instruments, and corporate governance mechanisms (Thomas, 2024). The evolution of Saudi Arabia's financial sector reflects the government's commitment to economic diversification. The Saudi banking industry is well-capitalized and highly regulated, supported by the Saudi Central Bank (SAMA) and various financial market reforms. Empirical research highlights the banking sector's increasing role in financing non-oil sectors, with significant growth in lending to small and medium enterprises (SMEs), infrastructure projects, and technological innovations (Sidani, 2024). Financial inclusion initiatives, such as the Financial Sector Development Program (FSDP), further support access to capital for non-traditional industries (Alsudairi, 2021). However, despite these efforts, challenges persist in ensuring effective capital allocation, mitigating investment risks, and fostering a dynamic private sector.

Empirical findings suggest that while Saudi banks have increased their lending portfolios to non-oil sectors, structural barriers remain. Studies indicate that access to financing remains constrained for startups and SMEs due to stringent lending criteria, high collateral requirements, and risk-averse lending practices (Alkhowaiter, 2023). Moreover, regulatory frameworks, although evolving, still present complexities that hinder rapid adaptation to emerging market opportunities (Alghamdi & Alshahrani, 2024). Research also highlights corporate governance issues, particularly the composition and decision-making autonomy of banking boards, which influence investment choices and risk tolerance (Ahmed et al., 2022). Additionally, the effectiveness of public-private partnerships (PPPs) in leveraging banking sector financing remains an area of concern, with studies showing mixed outcomes in terms of project efficiency and financial sustainability (Alzahrani & Al-Turki 2021). Existing literature reveals several research gaps in understanding how Saudi banking boards contribute to Vision 2030's non-oil investment goals. There is limited empirical evidence on board governance's role in sectoral diversification (Alam et al., 2023), insufficient alignment of banking regulations with policy objectives and a need for deeper analysis of Islamic finance mechanisms. Moreover, studies lack focus on risk frameworks (Al-Hassan et al., 2021), SME financing (Beck et al., 2013), digital inclusion (Cai, 2025), and PPP effectiveness (El-Kharouf et al., 2014), indicating a significant gap in understanding how financial strategies support sustainable economic transformation. Despite these challenges, the potential for banking institutions to drive non-oil sector investments remains high. The aim of this study is to conduct a policy review of how Saudi banking boards facilitate investments in non-oil sectors, evaluating regulatory policies, governance structures, and financial strategies that influence capital flows. By assessing the current banking landscape in Saudi Arabia, the study seeks to identify best practices and policy gaps that can inform future financial sector reforms.

The contribution of this study is multifaceted. First, it provides a comprehensive review of banking policies in the context of Vision 2030, offering insights into how financial institutions align with national economic goals. Second, it highlights key governance and regulatory challenges that impact banking decisions regarding non-oil sector investments. Third, the study presents recommendations for policymakers, regulators, and banking boards to enhance financial sector contributions to economic diversification. By bridging empirical findings with policy analysis, this research contributes to the broader discourse on financial sector-led economic transformation in emerging markets.

Literature Review

The economic transformation outlined in Saudi Arabia's Vision 2030 necessitates substantial financial sector involvement, particularly from banking boards. As intermediaries between policymakers and investors, banking boards play a crucial role in guiding capital flows toward non-oil sector investments. This literature review synthesizes existing research on the role of banking institutions in economic diversification, investment facilitation, and governance strategies.

Economic Diversification and Banking Systems

Economic diversification has been a central theme in development economics, particularly for resource-rich economies seeking sustainable growth. According to Auty (2001), economies overly dependent on natural resources often experience economic stagnation, termed the "resource curse." Saudi Arabia's Vision 2030 directly addresses this concern by aiming to increase the contribution of non-oil sectors to GDP (Saudi Vision 2030 Report, 2016). The role of financial institutions, particularly banks, in supporting this transition is critical, as emphasized by Levine (2005), who argued that well-developed financial markets facilitate capital allocation and economic expansion.

Governance and Investment Policies of Banking Boards

Corporate governance in financial institutions significantly impacts investment decisions, particularly in emerging markets. Bebchuk & Weisbach (2010) highlight that board composition influences financial strategies, risk assessment, and institutional alignment with national development goals. In Saudi Arabia, banking boards are increasingly pressured to align their investment portfolios with Vision 2030 objectives (Al-Hassan et al., 2021). Studies by Cornett et al. (2010) further indicate that governance quality affects banks' willingness to engage in long-term, high-risk investments, such as infrastructure and technology.

Banking Sector's Role in Facilitating Foreign Direct Investment (FDI)

Foreign direct investment (FDI) is a major pillar of Vision 2030. According to Dunning (2001), robust financial markets attract foreign investors by reducing capital access barriers. Saudi banks play a pivotal role in this context by offering financing solutions, mitigating investment risks, and fostering public-private partnerships (PPPs) (El-Kharouf et al., 2014). The Saudi Arabian Monetary Authority (SAMA) has introduced financial sector reforms to enhance the ease of doing business, which has positively influenced FDI inflows (World Bank, 2022).

Financing Strategies for Non-Oil Sectors

Several studies examine how banking institutions support sectoral diversification through tailored financial products. Beck et al. (2013) emphasize the role of credit facilities, venture capital, and microfinance in enabling small and medium-sized enterprises (SMEs) to thrive in non-oil industries. Saudi banks, in particular, have launched investment funds targeting renewable energy, healthcare, and tourism (Arab Monetary Fund, 2021). Ayyagari et al. (2008) further argue that access to capital directly correlates with entrepreneurial success in emerging economies.

Method

This study employs a qualitative policy review methodology to assess how Saudi Arabian banking boards facilitate investments in non-oil sectors. The research analyzes financial regulations, governance frameworks, and investment strategies adopted by banks to align with Vision 2030 objectives. Data sources include policy documents, financial reports, and scholarly literature. A thematic analysis approach is used to identify key trends, challenges, and opportunities within the banking sector.

Findings and Discussion

Saudi Arabian banking boards play a critical role in directing investments toward non-oil sectors as part of the country's Vision 2030 agenda. The findings of this study indicate that while banks have made considerable progress in financing diversification efforts, several challenges persist in ensuring the effective allocation of capital, risk management, and policy execution. The results also reveal the significance of regulatory frameworks, governance structures, and financial instruments in shaping banking decisions. This section presents the key findings based on a review of policy documents, empirical studies, and financial reports related to Saudi Arabia's banking sector and its role in non-oil sector investment. One of the primary findings is that Saudi banks have significantly increased their lending to non-oil sectors, particularly in industries such as tourism, manufacturing, and technology. Reports from the Saudi Central Bank (SAMA) indicate that non-oil sector financing has grown steadily, with banks allocating substantial capital to infrastructure projects, renewable energy, and digital transformation initiatives. The introduction of the Financial Sector Development Program (FSDP) has facilitated this shift by promoting financial inclusion, digital banking, and enhanced access to credit for businesses operating outside the oil sector. However, despite these advances, access to financing remains uneven across different sectors. Startups and small and medium enterprises (SMEs) continue to face challenges in securing funding due to high collateral requirements and banks' preference for established corporations with lower risk profiles.

Empirical evidence suggests that corporate governance structures within Saudi banks play a crucial role in shaping investment decisions. Banking boards, which consist of senior executives and policymakers, influence risk assessment strategies, capital allocation policies, and long-term financial planning. The composition of these boards, including their expertise in financial markets and regulatory compliance, directly impacts how banks approach investment in emerging industries. Studies have found that banks with diversified board memberships, particularly those with members experienced in non-oil industries, are more likely to allocate funds toward economic diversification projects. However, traditional governance models in Saudi banking often prioritize stability and risk aversion, which can limit banks' willingness to invest in high growth but high-risk sectors such as technology startups and creative industries.

Regulatory frameworks have also played a significant role in shaping the investment landscape. Saudi Arabia's banking sector is governed by strict financial regulations, which have historically prioritized capital stability and risk mitigation. While these regulations have contributed to the overall resilience of the banking industry, they have also created barriers to flexible investment in non-oil sectors. The introduction of Vision 2030 has led to several regulatory reforms aimed at encouraging banks to play a more active role in economic diversification. Initiatives such as the development of the sukuk market, expansion of public-private partnerships (PPPs), and introduction of financial technology (FinTech) regulations have opened new investment channels. However, compliance requirements remain complex, and many banks continue to adopt a cautious approach to non-oil sector financing, particularly in emerging industries with uncertain profitability. Therefore, based on overall findings this study developed a framework defining the Vision 2030 importance in the country's economy.

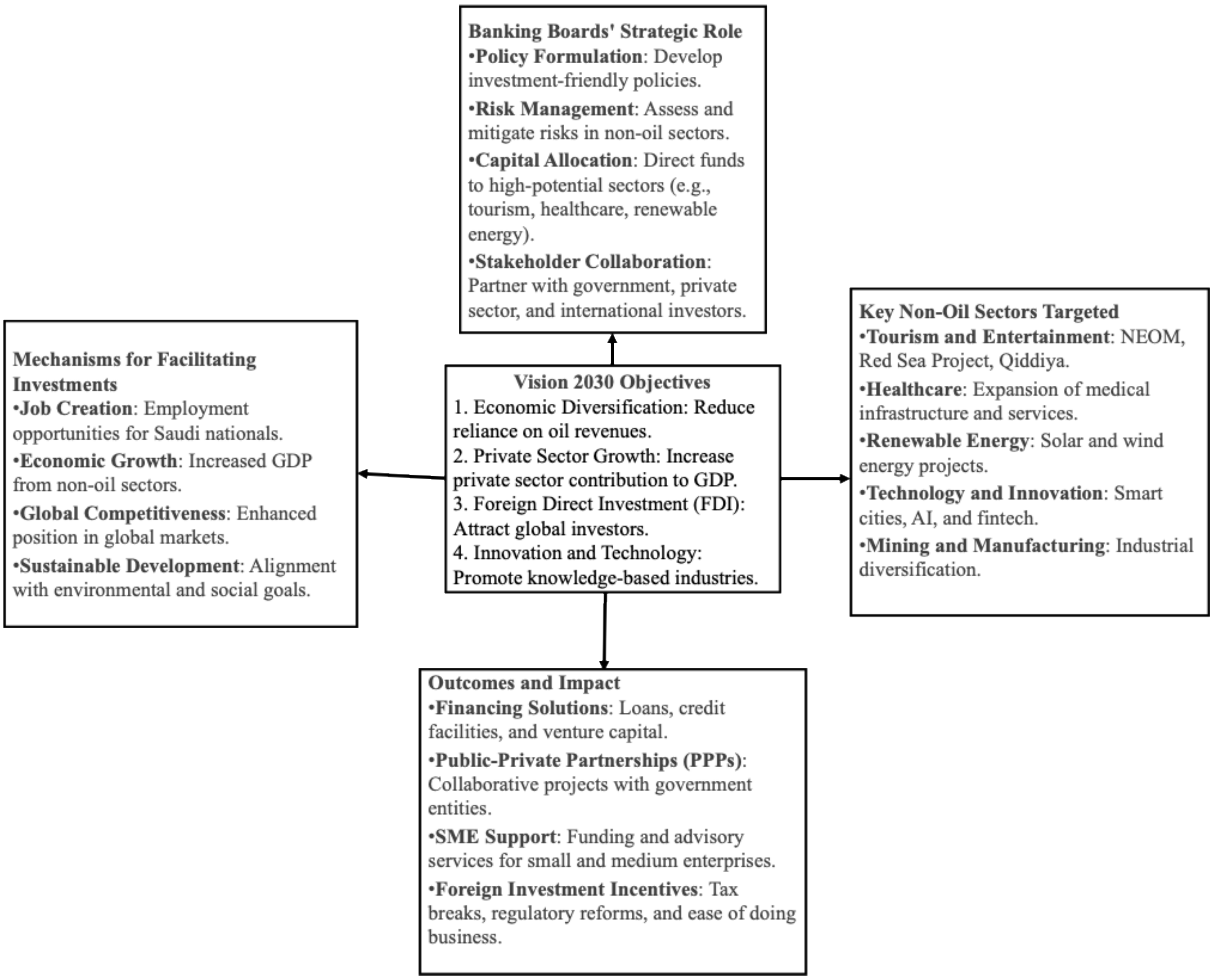

Figure 1. Vision 2030 economic importance

Theme 1: Islamic Banking in Non-Oil Sector Financing

A key finding from this study is the growing role of Islamic finance in supporting non-oil sector investments. Saudi banks have increasingly utilized Shariah-compliant financial instruments such as sukuk and Islamic syndicated loans to fund large-scale infrastructure and development projects (Samargandi et al., 2014). The sukuk market, in particular, has seen substantial growth, enabling both public and private sector entities to raise capital for non-oil projects. Islamic banking principles, which emphasize risk-sharing and ethical investment, align well with Saudi Arabia's broader economic diversification goals (Ben Mimoun, 2019). However, challenges remain in expanding Islamic finance solutions to smaller businesses and startups. The lack of standardized regulatory frameworks for Islamic financial instruments and limited investor awareness of available Shariah-compliant options continue to restrict the full potential of Islamic banking in non-oil sector financing.

Theme 2: Digital Transformation on Banking Sector Investment Strategies
Another significant finding is the impact of digital transformation on banking sector investment strategies. Saudi banks have increasingly adopted financial technologies to enhance operational efficiency and expand access to credit. Digital banking platforms, automated risk assessment tools, and artificial intelligence-driven financial modeling have enabled banks to streamline investment decision-making processes (Cai, 2025). These technological advancements have facilitated the development of alternative lending models, such as peer-to-peer financing and crowdfunding, which offer new opportunities for non-oil sector enterprises to access capital (Cuesta et al., 2015). However, the adoption of FinTech solutions has also introduced new regulatory challenges, including concerns related to cybersecurity, data privacy, and financial fraud. Banks must navigate these challenges to fully leverage digital transformation as a means of supporting Vision 2030 objectives.

Theme 3: Public-Private Partnerships Investment
The findings also highlight the role of public-private partnerships (PPPs) in facilitating investment in non-oil sectors. PPPs have emerged as a key mechanism for mobilizing private sector capital for infrastructure, tourism, and energy projects (Al-Hanawi et al., 2020). The Saudi government has actively promoted PPPs through policy incentives, regulatory support, and co-financing initiatives. Studies indicate that well-structured PPPs can enhance investment flows, reduce financial risks, and improve project implementation efficiency. However, the success of PPPs in Saudi Arabia has been mixed, with variations in project execution, regulatory clarity, and financial sustainability. While some PPP initiatives have demonstrated strong outcomes, others have faced delays, budget overruns, and operational challenges (Guerrero et al., 2024). Addressing these issues requires clearer regulatory guidelines, improved risk-sharing mechanisms, and enhanced transparency in PPP project implementation.

Theme 4: Risk Management
Another important aspect of the findings relates to risk management practices within Saudi banks. The study reveals that banks generally adopt a conservative approach to investment, prioritizing financial stability over aggressive expansion into new industries (Hacini et al., 2021). This risk-averse strategy has contributed to the overall resilience of the banking sector but has also limited the flow of capital to high-growth sectors such as technology, entertainment, and creative industries. Risk management frameworks within Saudi banks emphasize regulatory compliance, capital adequacy, and creditworthiness assessment. While these frameworks help maintain financial stability, they often result in stringent lending criteria that exclude many SMEs and startups from accessing credit (Abdelrahim, 2013). Addressing this challenge requires a balanced approach that incorporates risk-sharing mechanisms, innovative financial products, and targeted policy incentives to encourage banks to invest in non-oil sector enterprises. The study also identifies key regional and global economic factors that influence Saudi banks' investment strategies. External factors such as fluctuations in global oil prices, shifts in international financial markets, and geopolitical developments impact banks' risk appetite and investment priorities. During periods of economic uncertainty, banks tend to adopt more cautious lending practices, focusing on

traditional, low-risk sectors rather than expanding their portfolios into emerging industries. The findings suggest that fostering a more resilient and adaptive banking sector requires continued policy support, diversification of financial instruments, and international collaboration to mitigate external economic risks (Althubaiti & Rasid, 2020). A final finding relates to the role of human capital in banking sector investment decisions. The expertise, experience, and leadership of banking executives and board members play a crucial role in shaping financial strategies. Banks with leadership teams that possess strong backgrounds in economic diversification, technology, and international finance tend to exhibit more proactive investment approaches (Shawiah, 2016). Conversely, institutions with more traditional leadership structures often maintain conservative lending policies. Efforts to enhance the financial sector's role in Vision 2030 should include targeted capacity-building initiatives, leadership development programs, and increased collaboration between banking institutions and non-oil industry experts.

Overall, the findings of this study underscore the critical role of Saudi Arabian banking boards in facilitating non-oil sector investments. While significant progress has been made in aligning banking strategies with Vision 2030 objectives, challenges remain in addressing regulatory complexities, risk management constraints, and access to financing for high-growth industries. The continued evolution of financial policies, expansion of Islamic finance instruments, adoption of digital banking technologies, and strengthening of PPP frameworks will be key to enhancing the banking sector's contribution to economic diversification. Addressing these issues requires a collaborative effort involving policymakers, regulators, financial institutions, and private sector stakeholders to create an enabling environment for sustainable economic growth beyond the oil sector.

Discussion: Theoretical and Practical Implications

The findings of this study highlight the evolving role of Saudi Arabian banks in supporting economic diversification under Vision 2030. The increasing allocation of capital to non-oil sectors such as tourism, manufacturing, and technology reflects a significant shift in banking strategies. However, despite this progress, several structural and regulatory challenges continue to shape investment decisions, requiring a more nuanced understanding of the banking sector's approach to risk management, governance, and financial innovation. One of the key discussion points is the role of banking boards in directing investment priorities. The composition of these boards, particularly in terms of expertise in non-oil industries, influences the extent to which banks engage in high growth but high-risk sectors (Hacini et al., 2021). Traditional governance structures often prioritize financial stability, leading to cautious investment behavior that may limit the banking sector's role in fostering innovation and entrepreneurship. To enhance the contribution of banks to non-oil sector growth, there is a need for more diversified board compositions that include professionals with experience in technology, renewable energy, and creative industries. This would help bridge the gap between financial institutions and emerging industries, enabling more informed decision-making on non-traditional investments. Regulatory frameworks present another critical aspect of the discussion. While Saudi Arabia has undertaken significant reforms to encourage financial sector participation in economic diversification, banks still operate under relatively strict regulations designed to prioritize capital adequacy and risk mitigation. While such regulations contribute to financial stability, they also limit the flexibility required for investment in emerging sectors. The growth of the sukuk market and the introduction of new financial instruments have provided alternative funding options, but their full potential is yet to be realized due to compliance complexities and the lack of standardized regulatory frameworks for Islamic finance. Addressing these regulatory constraints could enhance the banking sector's ability to support non-oil businesses, particularly SMEs and startups that struggle with access to credit.

Another important discussion point is the impact of digital transformation on banking sector investment strategies. The adoption of FinTech solutions has enabled banks to streamline lending processes, enhance risk assessment models, and expand financial inclusion. However, while digital banking presents new opportunities, it also introduces challenges related to cybersecurity, regulatory compliance, and data privacy. The successful integration of FinTech into the banking sector requires a balanced approach that fosters innovation while ensuring financial security and regulatory oversight. Furthermore, the use of artificial intelligence and big data analytics in banking decision-making can help improve credit assessments and investment forecasting, but it also raises ethical concerns about algorithmic bias and data transparency. Public-private partnerships (PPPs) have emerged as a vital mechanism for mobilizing private sector capital into non-oil industries, but their effectiveness remains inconsistent (Guerrero et al., 2024). While some PPP initiatives have been successful in funding infrastructure and tourism projects, others have faced execution challenges, including regulatory delays and financial sustainability issues. Strengthening the legal and institutional frameworks governing PPPs could improve their efficiency and attract greater private sector participation. Additionally, clearer risk-sharing mechanisms would enhance investor confidence and encourage banks to actively participate in financing PPP projects (Al-Hanawi et al., 2020).

Risk management remains a dominant factor influencing Saudi banks' approach to non-oil sector investments. The conservative lending policies adopted by banks have helped maintain financial stability but have also constrained access to capital for high-growth industries (Shawiah, 2016). While caution is necessary in mitigating financial risks, a more dynamic risk management framework could allow banks to explore investment opportunities in innovative sectors while maintaining financial prudence. This could involve the development of sector-specific investment policies that balance risk with potential returns, encouraging banks to diversify their portfolios beyond traditional low-risk sectors (Althubaiti & Rasid, 2020). External economic factors also shape banking sector investment strategies. Fluctuations in global oil prices, geopolitical tensions, and shifts in international financial markets influence Saudi banks' risk appetite and capital allocation decisions. During periods of economic uncertainty, banks tend to retreat to safe investment options, reducing their exposure to high-risk sectors. To counteract this trend, policies aimed at enhancing economic resilience, such as expanding trade partnerships and diversifying investment portfolios, can help mitigate the impact of external shocks on banking strategies.

Finally, the role of human capital in banking sector investment decisions cannot be overlooked. The expertise of banking executives and board members plays a crucial role in shaping financial strategies and risk assessments. Investing in leadership development programs and capacity-building initiatives could enhance decision-making capabilities within banks, leading to more proactive investment approaches in non-oil industries. Additionally, fostering collaboration between banks and industry experts in key non-oil sectors can help bridge the knowledge gap and create more informed investment strategies. In conclusion, while Saudi Arabian banks have made significant strides in supporting economic diversification, challenges related to governance, regulation, risk management, and financial innovation persist. Addressing these challenges requires a multi-faceted approach that includes regulatory reforms, enhanced financial instruments, digital transformation strategies, and stronger public-private partnerships. By fostering a more dynamic and adaptable banking sector, Saudi Arabia can accelerate its transition toward a more diversified and resilient economy in alignment with Vision 2030.

Limitations and Future Research

This study, while offering valuable insights into the role of Saudi Arabian banks in economic diversification, has certain limitations that must be acknowledged. One of the primary limitations is the reliance on available financial reports and secondary data, which may not fully capture the strategic intent behind banking sector investments. While these data sources provide a robust overview of banking trends, they lack qualitative insights from key decision-makers within financial institutions. Future research could benefit from in-depth interviews or case studies with banking executives to gain a deeper understanding of the motivations and challenges associated with non-oil sector investments. Another limitation is the focus on the Saudi banking sector without extensive comparison to similar economies that have undertaken economic diversification efforts. Countries such as the UAE and Malaysia have also implemented policies to reduce oil dependency, and a comparative analysis could provide additional perspectives on best practices and potential pitfalls. Future research could explore cross-country comparisons to identify strategies that have successfully enhanced banking sector contributions to economic diversification in similar economic contexts. The study also does not fully explore the role of Islamic finance in shaping banking investment strategies. While the growth of sukuk markets and Islamic financial instruments has been acknowledged, further investigation is needed into how Shariah-compliant financial structures influence investment decisions in non-oil industries. Future research could examine how regulatory frameworks for Islamic finance impact the expansion of banking investments in emerging sectors and whether these instruments offer competitive advantages over conventional financial products.

Additionally, digital transformation and its impact on banking investment decisions were discussed, but the evolving nature of financial technology warrants further research. With advancements in artificial intelligence, blockchain, and big data analytics, future studies could assess how these technologies are shaping risk assessments, loan approvals, and investment strategies within the Saudi banking sector. A more detailed examination of the risks associated with digital banking, such as cybersecurity threats and regulatory compliance, would also contribute to the literature. Finally, macroeconomic factors such as global financial market fluctuations and geopolitical risks continue to influence banking sector investment behaviors. Future research could incorporate economic modeling to predict how external shocks impact banking investment trends in Saudi Arabia. By addressing these limitations and expanding the research scope, future studies can provide a more comprehensive understanding of the banking sector’s evolving role in economic diversification under Vision 2030.

Conclusions

This study has examined the role of Saudi Arabian banking boards in facilitating investments in non-oil sectors to support the country's Vision 2030 economic diversification strategy. The findings indicate that while the banking sector has made significant progress in aligning financial resources with national development goals, several challenges remain in optimizing capital allocation, governance structures, and risk management frameworks. The study highlights the importance of regulatory policies, financial instruments, and strategic governance in shaping investment flows to non-oil industries, such as tourism, technology, and manufacturing. The review of banking board governance structures reveals that board composition, expertise, and regulatory oversight significantly impact investment decisions. Banks with diverse and experienced boards tend to have a more proactive approach to financing non-oil industries, leveraging financial innovations such as sukuk markets and venture capital funding. However, risk-averse lending practices and regulatory constraints still pose barriers to capital accessibility, particularly for small and medium-sized enterprises (SMEs) and startups. Addressing these challenges requires continuous regulatory reforms and enhanced collaboration between financial institutions and government entities to streamline investment policies. Another key takeaway is the role of financial instruments in driving non-oil sector investments. The growth of Islamic finance and the expansion of public-private partnerships (PPPs) have provided alternative financing mechanisms that support economic diversification. However, the effectiveness of these financial tools depends on regulatory clarity, investor confidence, and efficient risk-sharing frameworks. Strengthening the integration of digital banking solutions and fintech innovations can further improve capital access and enhance financial inclusion, particularly for emerging sectors. While the banking sector has contributed to Vision 2030's objectives, long-term success depends on sustained policy alignment, corporate governance improvements, and enhanced financial sector resilience. Future efforts should focus on optimizing risk management frameworks, expanding access to credit for high-growth sectors, and leveraging technology-driven financial solutions to enhance banking efficiency. Policymakers and financial regulators must also ensure that evolving economic conditions and global market trends are incorporated into banking sector strategies.

In conclusion, Saudi Arabian banking institutions play a crucial role in supporting the nation's transition toward a diversified economy. While progress has been made, continuous efforts are needed to address existing challenges and unlock the full potential of banking sector contributions to Vision 2030. By fostering a more dynamic, inclusive, and innovation-driven financial system, Saudi Arabia can achieve sustainable economic growth and reduce its reliance on oil revenues in the long run.

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